



Press Release

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State Treasury Issues Advisory on FDIC TAG Program *Treasurer Flowers Directs Banks to Collateralize State Funds*

DOVER, DE — The Delaware State Treasury (Treasury) issued an advisory notifying Delaware residents, businesses, nonprofits and government agencies on the impending expiration of the Federal Deposit Insurance Corporation's (FDIC) Transaction Account Guarantee (TAG) Program on December 31.

The TAG program was created in 2008 to strengthen confidence in the U.S. banking system and to ensure liquidity. Essentially, it provides an uncapped federal guarantee on funds held at FDIC-insured depository institutions in noninterest-bearing transaction accounts. Many of these accounts are checking accounts used by individuals, businesses, nonprofit institutions and government agencies to carry out their day-to-day financial operations. Failure to renew the TAG Program will result in such transaction accounts being subject to the FDIC insurance cap of \$250,000.

Earlier today, the U.S. Senate, through a close procedural vote, ended debate without action on a bill that would have extended the TAG Program for two years. In response to recent Senate action on the measure, Delaware State Treasurer Chip Flowers issued a Treasury Directive that requires financial institutions holding state deposits to set aside sufficient collateral to ensure the safety and security of state funds held on behalf of the Treasury in transaction accounts at their institutions. Under the Directive, such funds will have to be collateralized by December 31 – the date the White House and Congress need to reach resolution on issues relating to the “fiscal cliff.”

“Until the issue as to whether the TAG Program will exist after December 31st is resolved at the federal level, it is critical that Delawareans using checking or other transaction accounts in FDIC-insured financial institutions for business or personal uses ensure their money is safe and properly secured. This is the rationale underlying the issuance of this advisory by the Delaware State Treasury,” Flowers said.

“Furthermore, the Directive issued today protects our state funds. The safety and security of state funds will always be the top priority of the current administration of the Treasury. While the Treasury will continue working with our colleagues to find a compromise solution to extend the TAG Program that would be voluntary and not increase the size of the federal deficit, in the interest

of Delawareans, I am hopeful that the White House and Congress will find common ground on this important program prior to the end of the year,” Flowers said.

Citing significant benefits to state and local governments and the U.S. banking system, Flowers and other members of the National Association of State Treasurers (NAST) have been meeting with White House and Congressional leaders to urge passage of a two-year extension of the TAG Program.

State and local governments, many of the nation’s largest corporations, medium and small businesses, universities, charities and hospitals rely upon the security of these federally insured accounts to ensure that their funds are not subjected to market instability and that these funds will be available, even in the extreme case of a bank failure. A two-year extension of the TAG Program would not only allow states and localities without effective collateralization requirements sufficient time to develop such policies in light of the health of the U.S. banking system, but would immunize taxpayer funds from any market shocks resulting from the “fiscal cliff” resolution (or lack thereof) and the upcoming debt ceiling debate.

About the Delaware State Treasury

The mission of the Delaware State Treasury, the cornerstone of the state's financial system, is to restore economic prosperity to the First State by providing critical financial services for the People of the State of Delaware. Led by Delaware State Treasurer Chip Flowers, the Delaware State Treasury works with public, private and nonprofit organizations to present financial clarity to all Delawareans through its four divisions – Executive Office of the State Treasurer, Office of Finance and Treasury Services, Office of Disbursements and Reconciliations and the Office of Economic Policy. For more information on the Delaware State Treasury, you can visit www.treasury.delaware.gov, send an email to statetreasurer@state.de.us, or call 302-672-6700.